

## Message Text

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ORIGIN EPA-04

INFO OCT-01 EUR-12 ISO-00 OES-06 CIAE-00 DODE-00  
NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 AID-05  
CEA-01 COME-00 EB-08 EA-09 FRB-01 INR-07 IO-13  
NEA-10 OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01  
AGRE-00 OMB-01 FEA-01 CEQ-01 ERDA-07 L-03 NSF-02  
NSC-05 PM-04 SS-15 INT-05 OIC-02 /136 R

DRAFTED BY EPA/OWHM:SMERMELSTEIN:JMA  
APPROVED BY OES/ENP/EN:DKING  
EPA/A-106:ECOTSWORTH  
OES/ENP/EN:PGLASOE  
EUR/RPE:JPOLANSKY

-----192347Z 015592 /62

O 192249Z APR 77  
FM SECSTATE WASHDC  
TO USMISSION OECD PARIS IMMEDIATE

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PASS:CAVITTFROM EPA

E.O. 11652: N/A

TAGS:OECD, SENV

SUBJECT:US POSITION FOR MEETING OF ECONOMIC EXPERTS GROUP

AGENDA ITEM 4(I)  
OECD DOCUMENT ENV/ECO/77.1  
EVALUATION OF FINANCIAL ASSISTANCE SYSTEMS

IN APPENDICES OF THIS DOCUMENT, TWO METHODS OF CALCULATING  
TOTAL GOVERNMENT FINANCIAL ASSISTANCE FOR POLLUTION CONTROL  
ARE PRESENTED. EPA STRONGLY SUPPORTS METHOD B.

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METHOD A SET UP A MINIMUM NUMBER OF ASSUMPTIONS ON WHICH  
CALCULATIONS ARE TO BE MADE. MOREOVER, OECD PROPOSES THAT  
SEVERAL OF THE ASSUMPTIONS BE IDENTICAL FOR ALL COUNTRIES.  
THIS APPROACH HAS SEVERAL FLAWS.

(1) IT IS OVER-SIMPLIFIED BY THE EFFORT TO MINIMIZE  
CALCULATIONS REQUIRED.

(2) NOT ALL GOVERNMENT ASSISTANCE IS ACCOUNTED FOR. A NUMBER OF OTHER LESS EXPLICIT FORMS OF GOVERNMENT AID ARE NOT CAUGHT BY THIS APPROACH THEREFORE, DIFFERENCES BETWEEN COUNTRIES MAY BE UNDERSTATED.

METHOD A WILL NOT ACCURATELY PORTRAY THE ACTUAL CASH BENEFITS WHICH ACCRUE TO A FIRM IF IT INSTALLS POLLUTION CONTROL EQUIPMENT. DUE TO OVERSIMPLIFICATION AND INCORPORATION OF ONLY SOME GOVERNMENT ASSISTANCE, A VERY INACCURATE PICTURE OF VARIOUS COUNTRIES' ACTUAL SUBSIDIES MAY BE DRAWN. EVEN THOUGH ON PAGE 8 IT IS INDICATED THAT THIS METHOD COULD GIVE AN IDEA OF THE LIKELY MAGNITUDE OF COST DIFFERENTIALS, THE SUBSIDY CALCULATED UNDER THIS METHOD FOR SOME COUNTRIES MIGHT BE MINOR COMPARED TO THE BENEFITS WHICH ACCRUE THROUGH LESS EXPLICIT ASSISTANCE.

METHOD B, ON THE OTHER HAND, SHOULD GIVE US A MUCH BETTER ESTIMATE OF ALL FINANCIAL ASSISTANCE INCLUDING POLLUTION CONTROL INCENTIVES PROVIDED BY VARIOUS COUNTRIES. EPA FAVORS THIS APPROACH STRONGLY. THIS METHOD REQUIRES CALCULATIONS OF DETAILED CASH FLOW FOR A PLANT IN A PRE-SELECTED INDUSTRY. ALL EXPLICIT AND NOT SO EXPLICIT SUBSIDIES WOULD BE INCORPORATED. ALTHOUGH THE COMPLEXITY OF THIS APPROACH COULD POSSIBLY RESULT IN SOME ERRORS IN ESTIMATION, WE BELIEVE THAT THE ERROR IS WORTH THE BETTER INFORMATION. FOR THIS APPROACH TO BE MOST ACCURATE, HOWEVER, THE CASH FLOWS SHOULD BE CALCULATED FOR EACH YEAR OVER THE LIFE OF THE POLLUTION CONTROL EQUIPMENT AND DIS-

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COUNTED BACK TO PRESENT VALUE. THIS IS NOT SPECIFIED IN THE METHODOLOGY, AND IS CRITICAL SINCE CASH FLOW FOR A PLANT WILL VARY FROM YEAR TO YEAR (FOR EXAMPLE, DUE TO UNEVEN DEPRECIATION SCHEDULES). YOU SHOULD STRONGLY SUGGEST THIS MODIFICATION.

ENV/ECO/77.1

AGENDA ITEM 6(I)

TECHNOLOGY BASED EFFLUENT STANDARDS--THE U.S. CASE

2; HAVE THREE (3) MAJOR COMMENTS ON THIS PAPER:

(1) EVEN THOUGH, AS THE PAPER POINTS OUT, SETTING TECHNOLOGY BASED LIMITATIONS IS COMPLEX AND IMPRECISE, A SYSTEM OF EFFLUENT CHARGES SUFFERS FROM SIMILAR PROBLEMS.

(2) JUST BECAUSE OF THE MYRIAD OF IMPLEMENTATION PROBLEMS, THIS DOES NOT MEAN THAT TECHNOLOGY BASED

STANDARDS WON'T WORK. IN FACT, THE FLEXIBILITY  
ALLOWS US TO TAKE INTO ACCOUNT A NUMBER OF  
IMPORTANT FACTORS.

(3) SOME STATEMENTS ARE OUT OF DATE OR INACCURATE.

ALL OF THE ABOVE TEND TO MAKE THE PAPER BIASED AGAINST  
THE TECHNOLOGY BASED LIMITATION APPROACH, AND IMPLICITLY  
THERE IS A CONTINUAL COMPARISON TO THE "BETTER" APPROACH  
OF EFFLUENT CHARGES. EFFLUENT CHARGES CAN BE JUST AS  
DIFFICULT TO IMPLEMENT: THE SETTING OF THE ACTUAL FEE IS  
AN IMPRECISE SCIENCE AT BEST, AND SETTING FEES FOR MULTI-  
PLE POLLUTANTS CAN BE COMPLEX. EFFLUENT FEES, DESPITE  
PROMOTING ECONOMIC EFFICIENCY, ARE A NEGATIVE INCENTIVE  
BECAUSE PLANTS MAY ELECT TO CONTINUE THEIR POLLUTION.  
TECHNOLOGY BASED LIMITATIONS ARE A POSITIVE APPROACH TO  
POLLUTION CONTROL, REQUIRING EVERYONE TO MEET MINIMUM  
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NATIONAL LIMITATIONS.

ADOPTION OF TECHNOLOGY BASED STANDARDS DOES NOT PRECLUDE  
THE USE OF EFFLUENT CHARGES AT THE SAME TIME. FOR EXAMPLE,  
A SYSTEM OF EFFLUENT CHARGES COULD BE APPLIED WHERE  
IMPOSITION OF NATIONAL STANDARDS DOES NOT MEET WATER  
QUALITY OBJECTIVES.

SEVERAL SPECIFIC COMMENTS WITH PAGE REFERENCES FOLLOW.

(1) WE DO TAKE ENVIRONMENTAL EFFECTS INTO ACCOUNT,  
ESPECIALLY IN OUR PRESENT BAT REVIEW EFFORT.  
(PGS. 7, 15)

(2) ECONOMICS PLAYS A VERY IMPORTANT ROLE IN THE  
STANDARD SETTING PROCESS. THE ECONOMIC ANALYSIS  
MAY PLACE BOUNDS ON THE SET OF VIABLE OPTIONS AND  
ENCOURAGE ADDITIONAL SUBCATEGORIZATION ON ECONOMIC  
GROUNDS (SUCH AS SMALL PLANTS, OLD PROCESS,  
GEOGRAPHIC LOCATION, ETC.). (PG. 9)

(3) EPA'S POSITION THAT WE CAN WRITE A SINGLE NUMBER  
EFFLUENT LIMITATION FOR A SUBCATEGORY HAS BEEN  
UPHELD BY THE SUPREME COURT. (BOTTOM PG. 11)  
OF COURSE, WHAT IS CRITICAL TO THE PROCESS IS  
THAT HOMOGENOUS SUBCATEGORIES ARE SELECTED.

(4) THE VARIANCE PROCEDURES ALLOW EPA ADDITIONAL  
FLEXIBILITY TO ALLOW PLANTS WHICH DIFFER FROM  
SPECIFIED SUBCATEGORIES IN A SIGNIFICANT WAY  
TO OBTAIN AN EXEMPTION. (PG. 12)

(5) THE ISSUE OF TECHNOLOGY BASED LIMITATIONS SHOULD  
BE SEPARATED FROM THE LEGAL PROBLEMS WE'VE HAD  
IMPLEMENTING THE LAW. IT'S  
DIFFICULT TO JUDGE WHAT KIND OF LAW WOULD HAVE  
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MITIGATED OUR PROBLEMS (PGS. 13, 18, AND 19).  
ALSO, THERE COULD HAVE BEEN AS MANY LEGAL  
PROBLEMS IF WE HAD IMPLEMENTED AN EFFLUENT CHARGE  
SYSTEM.

THE U.S. HAS  
FAIRLY SUCCESSFULLY IMPLEMENTED TECHNOLOGY BASED  
STANDARDS.

(6) THE DISCUSSION OF TECHNOLOGY INNOVATION IS OFF  
BASE. NOT ALL INNOVATION IS DISCOURAGED UNDER A  
TECHNOLOGY BASED APPROACH. PLANTS ARE CERTAINLY  
ENCOURAGED TO MEET EMISSION STANDARDS AT LOWEST  
COST. IN THE STANDARD-SETTING PROCESS, WE CAN  
FORCE ADOPTION OF NEW TECHNOLOGY BY TRANS-  
FERRING SUITABLE TECHNOLOGIES FROM OTHER INDUS-  
TRIES. EPA IS AWARE OF THE POTENTIAL DISIN-  
CENTIVE TO INNOVATE, BUT FEELS THAT APPROACHES  
CAN BE DEVELOPED TO MITIGATE THIS PROBLEM.

EPA IS WILLING TO PREPARE DETAILED WRITTEN COMMENTS ON  
THIS PAPER, AND WOULD LIKE TO HAVE THE OPPORTUNITY FOR  
FURTHER COMMENT AND ADDITIONS BEFORE THE PAPER IS  
FINALIZED. THIS CAN BE DONE BEFORE THE OCTOBER SESSION.

ENV/ECO/77.11

AGENDA ITEM 6(III)

TRANSMITTAL NOTE: BEST PRACTICAL MEANS AND  
BEST AVAILABLE TECHNOLOGY

THE TRANSMITTAL NOTE AS PRESENTLY DRAFTED IS UNACCEPTABLE  
FOR SUBMISSION TO THE ENVIRONMENT COMMITTEE. EPA'S  
COMMENTS ARE BRIEFLY SUMMARIZED HERE. YOU HAVE AN  
ANNOTATED VERSION WITH YOU. WE PROPOSE THAT THE U.S.  
SUBMIT DETAILED WRITTEN COMMENTS ON THE PAPER AFTER THIS  
MEETING. ON THE BASIS OF THESE COMMENTS THE PAPER SHOULD  
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THEN BE REDRAFTED AND CIRCULATED FOR DISCUSSION AND

TRANSMITTAL AT THE NEXT MEETING OF THE ECONOMIC EXPERTS IN OCTOBER WHEN AN EPA REPRESENTATIVE (PROBABLY SWEP) IS PRESENT.

THE TRANSMITTAL NOTE IS BASED ON TWO CASE EXAMPLES, ONE OF WHICH IS THE U.S. EXPERIENCE. AS DISCUSSED EARLIER, THAT PAPER IS BIASED AND SUPERFICIAL, AND DOES NOT PROVIDE AN OBJECTIVE ANALYSIS OF TECHNOLOGY BASED STANDARDS APPROACH. SINCE THE TRANSMITTAL NOTE DRAWS ON THAT ANALYSIS, IT SUFFERS FROM MANY OF THE SAME FLAWS.

OUR PRIMARY COMMENT IS THAT THE SUBCOMMITTEE SHOULD NOT LOSE SIGHT OF THE FACT THAT ANY APPROACH WILL BE COMPLEX AND DIFFICULT TO IMPLEMENT. EFFLUENT CHARGES SHOULD NOT BE PORTRAYED AS A SIMPLE AND QUICK SOLUTION NOR SHOULD TECHNOLOGY BASED STANDARDS BE VIEWED AS COMPLETELY UNVIABLE AND UNSUCCESSFUL. EITHER VIEW IS UNFAIR AND UNREALISTIC.

THE TRANSMITTAL PORTRAYS TECHNOLOGY-BASED STANDARDS AS A VERY COMPLICATED AND DIFFICULT MEANS OF MEETING ENVIRONMENTAL GOALS. IT IS ARGUED THAT THIS APPROACH IS NOT ECONOMICALLY EFFICIENT, DISCOURAGES TECHNOLOGICAL INNOVATION, IS ANTI-COMPETITIVE, AND IS ADMINISTRATIVELY AWKWARD. THESE CRITICISMS IGNORED HOW THE U.S. HAS ACTUALLY IMPLEMENTED TECHNOLOGY-BASED STANDARDS TO MINIMIZE ECONOMIC IMPACTS, ENCOURAGE INNOVATION AND DEAL WITH ADMINISTRATIVE PROBLEMS. IN THE CASE OF EFFLUENT STANDARDS, WE FEEL THAT THIS HAS BEEN A SUCCESSFUL PROGRAM, AND THAT OUR PREVIOUS APPROACH BASED ON WATER QUALITY STANDARDS WAS NOT.

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## Message Attributes

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